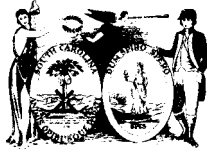


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

November 19, 2001

Mr. Francis M. Feltham, President  
Fane Management  
1200 Talisman Drive  
Post Office Box 6277  
North Augusta, South Carolina 29841

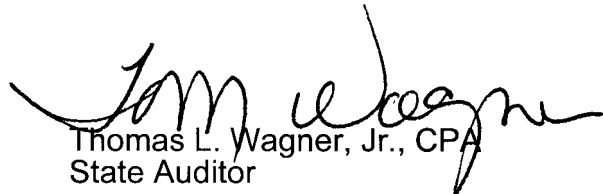
Re: AC# 3-AMM-J9 – Feltham Management Company, Inc. d/b/a Anne Maria Nursing Home

Dear Mr. Feltham:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**FELTHAM MANAGEMENT COMPANY  
D/B/A ANNE MARIA NURSING HOME**

**NORTH AUGUSTA, SOUTH CAROLINA**

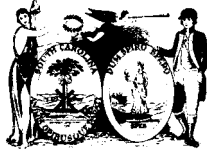
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-AMM-J9**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 2, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Feltham Management Company d/b/a Anne Maria Nursing Home, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

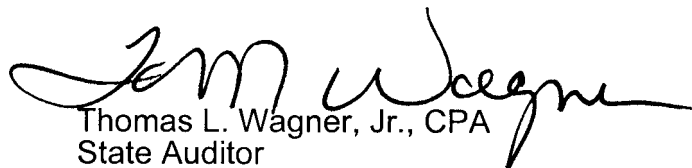
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Feltham Management Company d/b/a Anne Maria Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Feltham Management Company d/b/a Anne Maria Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 2, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-AMM-J9

Interim reimbursement rate (1)	\$100.72
Adjusted reimbursement rate	<u>99.58</u>
Decrease in reimbursement rate	\$ <u><u>1.14</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 2000  
AC# 3-AMM-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.59	\$54.01	
Dietary		8.90	10.12	
Laundry/Housekeeping/Maint.		<u>6.65</u>	<u>8.88</u>	
Subtotal	<u>\$5.11</u>	65.14	73.01	\$65.14
Administration & Med. Records	<u>\$ -</u>	<u>11.51</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		76.65	<u>\$83.56</u>	75.69
<u>Costs Not Subject to Standards:</u>				
Utilities		2.28		2.28
Special Services		.33		.33
Medical Supplies & Oxygen		5.23		5.23
Taxes and Insurance		1.89		1.89
Legal Fees		<u>.01</u>		<u>.01</u>
<b>TOTAL</b>		<u>\$86.39</u>		85.43
Inflation Factor (3.20%)				2.73
Cost of Capital				7.50
Cost of Capital Limitation				(.07)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.36)
Nurse Aide Staffing Add-On 10/1/2000				1.75
Nurse Aide Staffing Add-On 10/1/1999				<u>.49</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$99.58</u>

**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-AMM-J9

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&amp;HS</u>	<u>Adjustments Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,311,275	\$ -	\$11,544 (6)	\$2,299,731
Dietary	413,818	-	1,116 (6)	412,702
Laundry	78,664	-	-	78,664
Housekeeping	150,706	-	-	150,706
Maintenance	79,231	-	182 (6)	79,049
Administration & Medical Records	530,605	4,282 (3)	1,036 (6) 175 (6)	533,676
Utilities	105,520	-	-	105,520
Special Services	15,456	-	-	15,456
Medical Supplies & Oxygen	280,158	-	33,308 (1) 4,282 (3)	242,568
Taxes and Insurance	87,574	-	-	87,574
Legal Fees	338	-	-	338
Cost of Capital	345,501	3,292 (5)	613 (2) 350 (4)	347,830
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	4,398,846	7,574	52,606	4,353,814
Ancillary	321,119	-	490 (6)	320,629



**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-AMM-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	673,759	33,308 (1)	3,292 (5)	718,668
		350 (4)		
	<u>                    </u>	<u>14,543</u> (6)	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$5,393,724</u>	<u>\$55,775</u>	<u>\$56,388</u>	<u>\$5,393,111</u>
Total Patient Days	<u>46,376</u>	<u>-</u>	<u>-</u>	<u>46,376</u>
Total Beds	<u>132</u>			

# FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME

Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-AMM-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Medical Supplies	\$ 33,308	\$ 33,308
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
2	Fixed Assets Other Equity Accumulated Depreciation Cost of Capital	50,915 1,536	51,838 613
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
3	Medical Records Medical Supplies	4,282	4,282
	To reclassify salary and related fringe benefits State Plan, Attachment 4.19D		
4	Nonallowable Cost of Capital	350	350
	To remove interest expense State Plan, Attachment 4.19D		
5	Cost of Capital Nonallowable	3,292	3,292
	To adjust capital return State Plan, Attachment 4.19D		

**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-AMM-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Nonallowable	14,543	
	Nursing		11,544
	Dietary		1,116
	Maintenance		182
	Administration		1,036
	Medical Records		175
	Ancillary		490
	To adjust worker's compensation expense HIM-15-1, Section 2304		
		<u>\$108,226</u>	<u>\$108,226</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-AMM-J9

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>121</u>	<u>11</u>	
Deemed Asset Value	4,375,965	397,815	
Improvements Since 1981	771,259	59,183	
Accumulated Depreciation at 9/30/99	(1,634,444)	(119,451)	
Deemed Depreciated Value	3,512,780	337,547	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	210,767	20,253	
Return Applicable to Non-Reimbursable Cost Centers	(5,066)	(262)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>605</u>	<u>30</u>	
Allowable Annual Return	206,306	20,021	
Depreciation Expense	110,617	19,311	
Amortization Expense	271	25	
Capital Related Income Offsets	(5,006)	(455)	
Allocation of Capital Expenses to Non-reimbursable Cost Centers	<u>(2,988)</u>	<u>(272)</u>	<u>Total</u>
Allowable Cost of Capital Expense	309,200	38,630	\$347,830
Total Patient Days (Actual Days)	<u>42,511</u>	<u>3,865</u>	<u>46,376</u>
Cost of Capital Per Diem	\$ <u>7.27</u>	\$ <u>9.99</u>	\$ <u>7.50</u>

**FELTHAM MANAGEMENT COMPANY D/B/A ANNE MARIA NURSING HOME**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-AMM-J9

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.21	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>7.20</u>	\$ <u>9.99</u>
Reimbursable Cost of Capital Per Diem		\$7.43
Cost of Capital Per Diem		<u>7.50</u>
Cost of Capital Per Diem Limitation		\$ <u>(.07)</u>

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